MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BIB3084 – ISSUES IN INTERNATIONAL BUSINESS

(All sections / Groups)

17 OCTOBER 2016
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 4 pages with 7 Questions only.

2. Attempt **ALL** questions from **Section A**. Attempt **TWO** questions out of **THREE** from **Section B**. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

SECTION A : CASE STUDY

In February 2014 Facebook announced the firm's biggest acquisition ever. Facebook CEO Mark Zuckerberg managed to agree on the deal with WhatsApp founders Jan Koum and Brian Acton for astonishing $22 billion. When Jan Koum the Ukrainian-born immigrant who dropped out of college and ex-Yahoo engineer Brian Acton founded WhatsApp company they probably didn't even dream about what happened in three years later. From the moment of opening the newborn firm, both founders wanted a different kind of company. Instead of developing so popular online games, rapidly growing business with promising returns, they focused on building a clean, superfast communication service. And numbers say it all for these guys. Firstly, Facebook offered unimaginable amount of $19 billion to buy WhatsApp. Koum holding bigger share in WhatsApp was to get about $6.8 billion and Acton $3.5 billion after taxes. Jan Koum was also granted a seat on the Facebook board with salary of 1 dollar (the same as Mark Z). Facebook gave 177.8 million of its Class A common stock shares and $4.59 billion in cash to WhatsApp's shareholders. Fortunately for WhatsApp owners, Facebook's share value had risen from February 2014 to October 2014 when deal was realized by another $2.8 billion. In the end, acquisition was worth $21.8 billion. Companies were worried and it was said that WhatsApp may hurt players such as Deutsche Telekom, Orange and Telecom Italia with its plan to offer free voice calls to customers.

In the moment of announcing the acquisition, WhatsApp had more than 450 million of active users. Application reached that number faster than any other company in history. When comparing with Facebook, they went over 100 million users in something over 2 years. Facebook needed one more year. Every day, more than a million installed the app that time. Engagement rates were also incredible, as more than 72% remained active daily. Industry standard was around 10 to 20 percent.It may sound unbelievable, but only 32 people were working in the company in February. Later in October, when merger was realized, company was employing 56 people. When calculating employee to customer ratio, one WhatsApp developer was serving more than 14 million active users. Once again, number unheard in the business before. While the team remained small, service was still highly reliable with uptime over 99.9%. Number any user in need of instant communication will definitely like.

As was mentioned above, company decided to have different style from beginning. Purity was on the first place. There were neither marketing tricks nor strong promotions campaigns to support the application. Jan and Brian initially charged a dollar for their product. Service costs $1 per year! Without any other charges for SMS, this could save users nice bunch of money. And listen what. First year of was for free. This is total amount of money company has invested in marketing. The company did not employ any employee to conduct marketing or PR. Instead, WhatsApp was built as lovemark, a brand connected with strong emotion. And there is no better marketing than a word of mouth.

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All customers were quickly encouraging their friends to try the service. Certainly, there are also other reasons why company becomes so successful.

WhatsApp was already serving more than 450 million monthly active users, and Facebook was of course buying this potential too. To compare, Twitter had 241 million users at the end of the same year, operating 3 years longer than WhatsApp. By the way, WhatsApp had more than 600 million of users in the end of that year.

"*The acquisition supports Facebook and WhatsApp's shared mission to bring more connectivity and utility to the world by delivering core internet services efficiently and affordably. WhatsApp fits this vision perfectly; it has incredibly strong engagement and growth. It's the only app we've ever seen that has grown more quickly than Facebook itself,"* the social network said.

Mark envisioned that application may reach to 3 billion users in future, meaning serving almost half of planet population. He planned strategy to grow and connect people first. Monetization itself was secondary at the time of merger. As was already mentioned, engagement rate of WhatsApp's users was unseen before. It was mainly driven by its availability, reliability and mostly by its simplicity.More importantly, application became attractive also to teens. Target group that is looking for new platforms and ways of communication and that is not so attracted by the biggest social network as others. Facebook was all around a while, but acquiring WhatsApp would enable company to practically reach users on mobile devices using fresh instant messaging service.

Plenty of users mean huge volume of data provided. WhatsApp messaging volume was comparable with entire global SMS telecommunication volume - 19 billion of sent and 34 billion of received messages. Additionally, more than 600 million photos were uploaded, 200 million of voice messages and 100 million of video messages were sent. DAILY. And all the numbers were doubling year over year. Looking over numbers, one realizes that WhatsApp was about to change global communication. And the change was already happening.

Security is something more and more users are looking for nowadays. Mainly when comparing with other services like Skype known for their security vulnerabilities and possible monitoring. Within WhatsApp, every message was deleted from servers upon processing. How simple again. "WhatsApp *is going to operate independently*," reiterated Zuckerberg many times while merger was happening. "We *want to do this the same we did Instagram.*" And finally, Facebook statement on the WhatsApp operations settings: "WhatsApp's *brand will be maintained; its headquarters will remain in Mountain View, CA; Jan Koum will join Facebook's Board of Directors; and WhatsApp's core messaging product and Facebook's existing Messenger app will continue to operate as standalone applications.*" Zuckerberg understood the principles on which WhatsApp, and Instagram similarly works. He bought the companies, but let them operate as independent entities. *(Source: https://www.linkedin.com/pulse/facebook-acquisition-whatsapp-case-study-peter-kovac)*

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Answer ALL the Questions

QUESTION 1

Why the process of innovation is important to an organisation?

(Total: 15 marks)

QUESTION 2

Critically evaluates the reasons of Facebook to acquire WhatsApp

(Total: 15 marks)

QUESTION 3

One of the most popular mode of entry is acquisition and therefore, Facebook prefers to acquire WhatsApp than any other mode of entries. Assess any **THREE (3)** advantages and **THREE (3)** disadvantages of acquisition.

(Total: 15 marks)

QUESTION 4

Assuming the role of Business Development Manager in Facebook, what steps will you need to take to further improve the company?

(Total: 15 marks)

SECTION B:
Answer any TWO (2) questions

QUESTION 1

"The poverty rates started to collapse towards the end of the 20th century largely because developing-country growth accelerated, from an average annual rate of 4.3% in 1960-2000 to 6% in 2000-2010. China is responsible for three-quarters of the achievement. Its economy has been growing so fast that, even though inequality is rising fast, extreme poverty is disappearing. China pulled 680 million of people out of misery in 1981-2010, and reduced its extreme-poverty rate from 84% in 1980 to 10% now".

(Adapted from The Economist, June 2013)

In your opinion, does globalization and international business help to reduce the poverty rate in China? Justify your answer with relevant examples.

(Total: 20 marks)

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QUESTION 2

On 23rd June 2016, United Kingdom (UK) had finally settled the questions that's been rumbling close to the surface of British Politic for a generation; should the country remains within the European Union (EU) or go on single market? The final result showed 52 and 48 percent in flavor of Brexit. What are the pros and cons of leaving the EU?

(Total: 20 marks)

QUESTION 3

The Sport Style Company produces sport items in the U.S. and decided to expand to United Kingdom. It also has an ongoing joint venture with a British firm that produces some sporting goods for a fee. The Sports Style Company is considering the establishment of a small subsidiary in the United Kingdom. If the firm does decide to develop a small subsidiary in the United Kingdom, will its exposure to country political risk change? If so, what are the FOUR types of political risk that will affect the company?

(Total: 20 marks)

End of Paper